

Collecting in Tough Times ... Can You Relate?

Dear Friends:

As any credit manager knows, collecting is never an easy job, even when the economy is strong. During an economic downturn, it's really tough. And when the downturn is prolonged, with no end in clear sight, any credit and collections staff can begin to feel a bit demoralized.

That's when it can be helpful to take stock of and appreciate just what it takes to be a successful collector—in good times and bad. In this issue's feature article, we take a fresh look at the many hats that a good collector must wear, as well as the skills and tactics that each demands.

Spring is always a busy travel time for Szabo Associates. We'll be heading to the West, Midwest, and South for a number of important media industry conferences in May and June. Please consult our newsletter's Calendar of Events for dates and locations.

Best wishes for a beautiful spring season,



Pete Szabo, President
Szabo Associates, Inc.

Collecting in tough times requires a multitude of talents. The successful collector meets tough collecting challenges by being part detective, part psychologist, and part salesperson. Each of these disciplines demands quite different skills from their practitioners; however, they all demand the ability to relate well to other people. This ability is particularly critical in times of economic downturn, when debtors can experience added stress and heightened emotions.

Relating to others requires an understanding of the emotional component of human behavior. Facts and figures alone do not motivate a person to take action. The person assimilates information, the assimilation incites an emotional response that leads to action, and the action itself elicits yet another emotional response.

Even analysis-based decisions—buying a highly rated stock, for example—have an emotional aspect to them. You may decide to buy a particular stock after extensive research and observation, but the decision-making process has an emotional component as well—a desire to make money, for sure, but perhaps also a slight rush of anticipation, anxiety about possibly making a mistake, or both. The information you have gathered about the stock may compel you to consider buying it, but your emotional response to the facts compels you to actually go through with the purchase.

Once the deal is done, you experience another emotional response—a second rush of anticipation, or perhaps another round of anxiety about possibly having made a bonehead play.

Interactions with others are often super-charged with emotional responses. As a collector, you know the cauldron of negative emotions you can stir by simply stating the facts to a debtor; i.e., “the money you owe is overdue, and you need to pay it.” The good news is that most of these emotional responses can be anticipated, planned for, and defused by the disciplined collector.

In order to successfully relate to a debtor, you need to have as much awareness as possible of the circumstances surrounding the delinquency, the emotions the debtor may feel as a result of these circumstances, and possible approaches you might take to replace negative emotions with positive ones. This is where playing the roles of detective, psychologist, and salesperson comes into play.

The Detective

The collector, as detective, is well prepared for every collection call. The job requires organizational and analytical skills as well as the ability to relate to others.

Find out the status of the debtor's account before the first contact, and make sure your

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information is current before subsequent calls. If the debtor has not paid because of a legitimate dispute, make sure you are up-to-date on the nature of the dispute and the status of the disputed invoice. Tear sheets, affidavits, and invoices, along with the orders, can validate whether or not the ads ran properly. Find out if the entire amount owed is in dispute. Is the debtor delaying payment on undisputed amounts as well?

If the debtor tells you a story that is inconsistent with the information you have, consider taking advantage of your good relationship with the sales department and ask for help. Continuing personal contact with the debtor often allows the salesperson to become privy to information that might be relevant to the delinquency. Is the company undercapitalized and in trouble? Are the company's internal processes weak? Has the structure of the company changed? Is the industry in general experiencing trouble? Knowing what factors may have influenced the account's ability or willingness to pay can help you both to understand the debtor's responses and to engage the debtor in a more productive conversation the next time around.

If the debtor denies having made the buy or denies liability for amounts for which the debtor company is clearly liable, assemble all documentation that supports your position. In the absence of signed contracts or signed credit applications, your talents as a gumshoe can greatly increase the likelihood of your convincing the debtor to pay what is owed. Billing, traffic, and sales records are all good sources of information. A simple note

from the debtor can contain a statement that implies liability. Materials for publication had to be sent by someone. Confirmations of changes and cancellations had to be received by someone. Regardless of whether or not such unsigned documentation would hold up in court, it can provide you with enough ammunition to convince the debtor to pay.

On the other hand, the clues you uncover, or fail to discover, may provide a good argument for immediately turning the account over to a third-party collector or for considering litigation.

The Psychologist

Have you ever witnessed a psychologist blow up at a patient? If you have, then you were also probably witnessing the end of a career. A competent psychologist stays calm, stays objective, listens to what the other person has to say, and provides thoughtful advice. This is true of the competent collector as well.

Never pick up the phone to make the call when you are annoyed. If you do, most likely you will get even more annoyed with the first negative comment you hear from the debtor. Instead, calmly focus on the problem rather than on the person. Doing so will enable you to keep your own emotions in check and stay in control of the call.

Review the information you have about the debtor, and try to anticipate emotional responses to your statements. If the company's internal processes are weak and this is the reason for the delinquency, chances are that the debtor's response will be one of mild irritation. If, on the other hand, the company is in trouble, there is a fair chance that the debtor is in a bad mood most of the time, and your call may be the "last straw" of the day.

In this role, your job is not only to anticipate but also to

understand the debtor's negative emotions and to know what techniques you can employ to replace these negative emotions with more positive ones in order to meet your objective. Although we human beings vary widely in our abilities to check our emotions, we are nonetheless fairly predictable in our emotional responses to stress.

Indebtedness, particularly chronic indebtedness, is monumentally stressful to most people. Reactions to indebtedness are similar to other situations in which a person suffers significant loss. Some debtors feel panic and will react to your call with avoidance, stalling tactics, or acquiescence to your demand for money even if they are unable to pay. Some debtors go through a period of denial, followed by anger. They most likely will direct blame toward the creditor. Still others have reached the point of resignation. They will often take a pragmatic approach, paying the debts that they deem the most important and negotiating or putting aside the rest.

Assuming the debtor is ethical, feelings of shame or guilt underlie all of these emotional responses. Regardless of the facts of the case, all may be lost if you fail to recognize the precarious state of the debtor's ego while you attempt to solve the problem.

The Salesperson

You know what the debtor's situation is, you know and understand how the person feels, and you know the techniques for dealing with those feelings. Now is the time to become the collector as salesperson, whose job is to employ those techniques and "sell" the debtor on paying what is owed.

A good salesperson knows that timeliness and persistence are critical to success. Target your efforts and persist in your

efforts. Make sure you talk to the decision-maker. Start calling the debtor when the account falls 15 days past due and keep it up. The debtor's degree of receptiveness decreases as the account ages.

Keep your statement clear and direct. A heightened emotional state can get in the way of the debtor's ability to completely understand what you are asking for. Additionally, the debtor may use any lack of specificity on your part as an excuse to further delay payment.

Cultivate an atmosphere of cooperation and mutual respect to make the debtor feel better. Give the debtor an opportunity to explain the situation or express a point of view. This is your opportunity to gather more information about the debtor's situation, determine what might motivate the debtor to pay, and formulate a reasonable solution. Understand and sympathize with the debtor's situation without being cavalier. (Do you truly "understand" how

the debtor feels? Probably not. You do, however, recognize that the debtor's situation is difficult, and that his feelings are understandable.) Show a genuine interest in resolving the debtor's problem.

Let the debtor participate in formulating a solution. Debtors already feel a loss of control of their situation before they hear from you. By giving them a collaborative role, you allow them to regain some of that control and corresponding pride without allowing them to take charge of the process.

Appeal to the debtor's sense of fairness, pride, and desire to maintain a good credit reputation. To do so is to send the message that you assume the debtor has integrity; otherwise, the appeal would have no purpose.

If, in fact, the debtor has no integrity, you can no longer rely on underlying emotions of guilt and shame to influence the person's responses. In these cases, the only underlying emotion to which you can appeal may be

Calendar of Events

May 18-20
Broadcast Cable Financial Management
Broadcast Cable Credit Association
Century Plaza Hotel
Los Angeles, California

May 18-20
Cable Advertising Bureau, Local Cable Sales Management
Chicago, Illinois

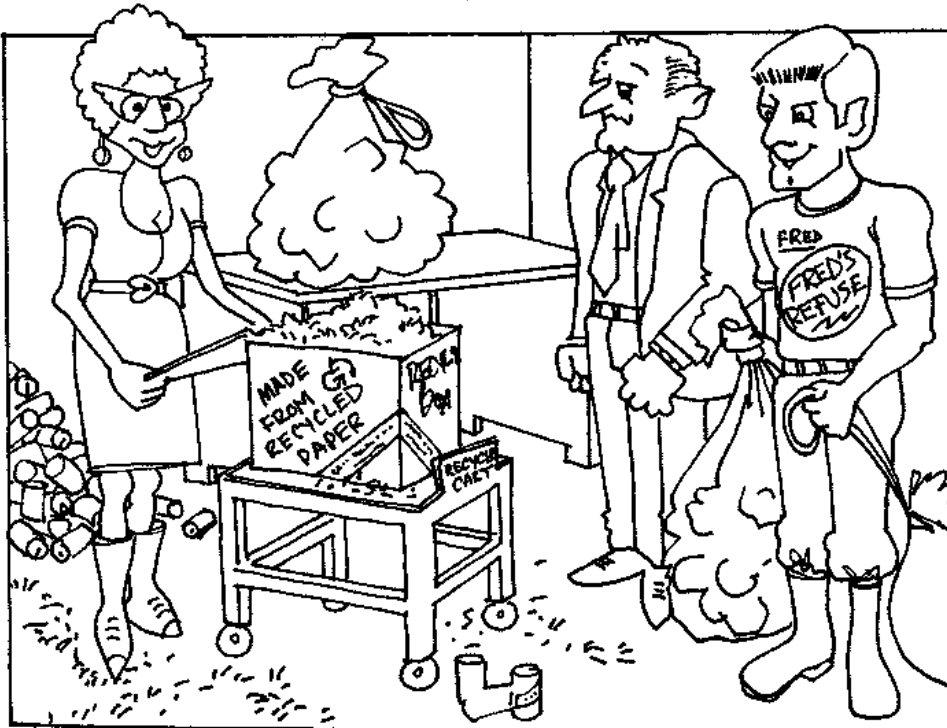
June 2
National Association of Credit Management
Orlando, Florida

June 21-25
International Newspaper Financial Executives
The Wigwam Resort
Litchfield, Arizona

fear. Create a sense of urgency by bringing the consequences of nonpayment to the debtor's attention. Your last remaining motivator may be the imminence of placing the account with a third party collector or legal action.

Once you have reached an agreement, recap the arrangement and end the call. Send the debtor a written confirmation of any arrangement that involves payments promised outside of 10 days. Make it impossible for the debtor to later claim a different understanding than yours. If the money fails to arrive on the agreed upon date, call the debtor immediately.

Collecting in good times is difficult. Collecting in tough times is brutal. These are the times that call for a focused, resolute credit and collections staff, willing and able to take on the roles of detective, psychologist, and salesperson. It's a combination that will work well in bad times, and even better when the good times return. ♦



"THE OFFICE BROUGHT ME ALL OUR 'COLLECTABLES,' LIKE YOU ASKED. SO FAR I'VE GOT 83 PAST DUE RECEIVABLES, 324 ALUMINUM CANS, 100 lbs. OF SHREDDED OFFICE PAPER AND LAST WEEK'S LUNCH GARBAGE."

The Szabo Difference: Sharing What We Know

Why would a collection service help its clients with their in-house collections?

It may seem like an odd thing to do, but we know that when we help you to enhance your collection efforts, we enhance our value to you. As part of your collections team, we want to take on those past-due accounts that really belong with us. If we can provide information and tips that help you make your best collection efforts early on, then you will identify early in the collection process those accounts that aren't in your best interests to keep in-house. And the earlier we get your troublesome accounts, the more successful we will be in collecting your money.

We know that minimizing past due receivables involves much more than knowing how

to collect them. That's why we provide information services that help you through the entire credit and collections cycle. Our unmatched database provides information on our experiences with more than 400,000 ad agencies and advertisers. Our library resource center contains industry surveys as well as legal and risk-related information, which we update regularly through our active involvement in industry associations and with the hundreds of attorneys in our national and international network. Additionally, our newsletter and Web site offer practical advice to help your staff's collection efforts become more efficient and effective. And all of these services are free to our clients as value-added benefits.

Of course, our primary value to our clients is collecting accounts. That's why we hire

only the most talented people in our field and give them everything they need to be successful. We arm our representatives with "collective knowledge" accumulated over our more than three decades in the media industry. We keep them up-to-date on legal issues, such as debtor and creditor rights. And we train them to be experts in collecting in your media specialty . . . from the most effective techniques for persuasion to negotiation methods that not only achieve the main objective but also maintain your valuable customer relationships.

We'll never relax our efforts to give you more and better services that can help make your company more profitable. Because the better you look, the better we look. And isn't that the way the best teams work? ♦



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